

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 EURE-00 ACDA-19 CIAE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

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FM AMEMBASSY REYKJAVIK

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COMICEDEFOR

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

C O N F I D E N T I A L REYKJAVIK 918

EO 11652: GDS

TAGS: PINT IC

SUBJECT: ICELANDS NATIONAL ELECTION-ATTEMPTS TO
FORM NEW GOVT

REF: (A) REYKJAVIK 844; (B) REYKJAVIK 904

1. LATE IN THE DAY JULY 5 THE PRESIDENT ASKED INDEPENDENCE
PARTY (IP) CHAIRMAN GEIR HELLGRIMSSON TO ATTEMPT FORM
NEW GOVT. THERE WAS SOME CONSTERNATION AND MILD DRAMA
ASSOCIATED WITH THIS. EARLIER IN THE WEEK THE
PRESIDENTS OFFICE ISSUED STATEMENT THAT PRESIDENT WOULD
ANNOUNCE HIS CHOICE MORNING JULY 5, BUT ON THAT MORNING
HIS OFFICE INSTEAD ANNOUNCED POSTPONEMENT OF DECISION "FOR
A FEW DAYS." IT WAS AN OPEN SECRET THAT THERE WAS PRESSURE
ON PRESIDENT TO GIVE FIRST NOD TO PROGRESSIVE PARTY (PP)

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CHAIRMAN, PRIME MINISTER OLAFUR JOHANNESSEN. EVEN THOUGH

HALLGRIMSSON WAS EVENTUALLY CHOSEN FIRST, THE BRIEF DELAY ADDED TO THE GENERAL FEELING ALREADY PREVAILING IN REYKJAVIK THAT HALLGRIMSSON WILL NOT SUCCEED AND THAT AFTER A COUPLE OF WEEKS JOHANNESSON WILL BE ASKED TO TRY. THE POLITICAL SITUATION IS SO MUDDLED THAT IT IS ANYBODYS GUESS AS TO WHAT THE FINAL OUTCOME WILL BE. THE POSSIBILITIES STILL REMAIN AS OUTLINED IN REFTEL (A). BOTH THE SOCIAL DEMOCRATS (SDP) AND THE PP HOLD THE KEY TO RESOLUTION OF THE GOVT CRISIS. NO ONE EXPECTS QUICK ANSWERS, ESPECIALLY IN VIEW OF THE INTERNAL CONFLICTS WITHIN ALL OF THE POLITICAL PARTIES WHICH WERE ALWAYS PRESENT BUT WHICH NOW ARE SURFACING IN ONE DEGREE OR ANOTHER. THE SIGNIFICANT CONFLICTS WHICH WILL AFFECT FORMATION OF A NEW GOVT ARE GIVEN BELOW:

2. INDEPENDENCE PARTY: SINCE HIS ACCESSION TO THE CHAIRMANSHIP A YEAR AGO THERE HAS BEEN A FEELING HELD BY SOME ELEMENTS OF THE PARTY THAT GEIR HALLGRIMSSON IS TOO CONSERVATIVE FOR THE TIMES AND NOT A STRONG LEADER. GUNNAR THORODDSEN, WHO IS CHIEF RIVAL FOR PARTY LEADERSHIP, ON OTHER HAND, IS CONSIDERED TO APPEAL MORE TO THE YOUNGER PARTY ELEMENTS AND IS CONSIDERED MORE FLEXIBLE WHEN IT INVOLVES PARLIAMENTARY AND POLITICAL COMPROMISES. IT IS WELL-KNOWN THAT THORODDSEN AND JOHANNESSON HAVE AN EASY RAPPORT AND THAT THE CONTRARY IS TRUE BETWEEN HALLGRIMSSON AND JOHANNESSON. IT IS REPORTED THAT THE LATTER HAS MADE IT KNOWN TO IP AND PP MEMBERS THAT HE WILL NOT PARTICIPATE IN A GOVT HEADED BY HALLGRIMSSON. IF THE PERSONAL ANIMOSITIES DID NOT EXIST THE IP WOULD HAVE NO REAL SUBSTANTIVE DIFFICULTIES IN FORMING A GOVT WITH THE PP. THE IDF ISSUE COULD BE AMICABLY RESOLVED BY IMPLEMENTING THE CONCESSIONS WHICH USG OFFERED IN NOVEMBER 1973 AND BY AGREEING TO CONDUCT A CONTINUING JOINT U.S.-ICELANDIC STUDY OF THE DEFENSE SITUATION.

3. SOCIAL DEMOCRATIC PARTY: UNFORTUNATELY THE SPLIT REPORTED REFTEL (B) IS MATERIALIZING. IT WAS LEARNED THAT DURING AN INFORMAL DISCUSSION IN THE EXECUTIVE COUNCIL OF THE PARTY, 12 MEMBERS INDICATED THEY WOULD LIKE TO SEE THE SDP JOIN A LEFT ORIENTED GOVT WITH THE PP AND THE

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PEOPLES ALLIANCE (PA), AND ONLY 2 (GYLFI GISLASON AND BJORN JONSSON) WANTED TO HAVE THE PARTY REMAIN OUT OF ANY GOVT. THE CONDITIONS REPORTEDLY SET WERE THAT THE OLL NOT BE INVITED TO JOIN THE GOVT; THAT BENEDICT GRONDAL BEOME FOREIGN MINISTER; AND THAT THE IDF PROPOSALS PRESENTED TO USG BE WITHDRAWN AND THE DEFENSE ISSUE BE SHELVED UNTIL THE ECONOMIC ISSUE FACING THE COUNTRY IS RESOLVED. THIS FACTION OF SDP, HOWEVER,

WOULD INSIST (ALONG WITH PP) THAT SOME DEGREE OF ICELAND-IZATION TAKE PLACE IMMEDIATELY AS AN INDICATION OF THEIR LONG-TERM AIM OF AN EVENTUAL UNARMED CIVILIAN-RUN SURVEILLANCE STATION REPLACING THE MILITARY. GYLFI GISLASON HAS TOLD AMBASSADOR THAT SITUATION IS NOT AS SERIOUS AS "RUMOR" WOULD HAVE IT BECAUSE HE COULD NOT ENVISAGE PA MAKING THE SUBSTANTIAL CONCESSIONS ON IDF BEING DEMANDED.

4. PROGRESSIVE PARTY: THE PARTY IS STILL VERY MUCH DIVIDED ON WHETHER IT WANTS TO SIDE WITH THE RIGHT OR THE LEFT. THE RIGHT WING OF THE PARTY CLAIMS THAT THE ELECTION PROVED THAT THE DEFECTION OF THE YOUNG PROGRESSIVE DISSIDENTS HELPED PP REGAIN ITS 17 SEATS, WHEREAS LEFT WING WANTS PARTY TO TURN LEFT SO AS TO ENTICE A PRESUMED MORE MODERATE YOUNG PROGRESSIVE GROUP BACK INTO THE PARTY. THE LEFT IS ALSO APPEALING TO JOHANNESSONS EGO. NEVER HAS A LEFTIST GOVT BEEN ABLE TO HOLD THE PRIME MINISTERSHIP AFTER TWO SUCCESSIVE ELECTIONS. THE LEFT WING ALSO WANTS AN EVENTUAL PROSITIVE IDF WITHDRAWAL, BUT NOT NECESSARILY WITHIN THE NEXT FEW YEARS. THEY FEAR DEFEAT ON THE IDF IF PP JOINS COALITION WITH IP. THE RIGHT WING IS COMPOSED OF THE FINANCIAL ACKERS OF THE PP AND ARE CONSIDERED TO BE HOLDING THEIR OWN IN THIS DISPUTE.

5. PEOPLES ALLIANCE: THE MOST EXPLOSIVE CONFLICT IS TAKING PLACE HERE. THE MORE PRAGMATIC MEMBERS, LED BY OLD-LINE COMMUNIST EINAR OLGEIRSSON, ARE DEMANDING THAT THE PA CONCEDE THE IDF ISSUE FOR THE TIME BEING FOR THE SAKE OF REMAINING IN GOVT. MAGNUS KJARTANSSON AND HIS FOLLOWERS CONTINUE TO TAKE THE HARD ANTI-IDF LINE. GENERAL FEELING AMONG LOCAL POLITICAL ANALYSTS IS THAT

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IF IT COMES TOHA SHOWDOWN, MAGNUS KJARTANSSON'S FACTION WILL LOSE.

6. AS STATED EARLIER, ANY COMBINATION OF GOVT IS POSSIBLE, BUT THE BEST FROM USG POINT OF VIEW WOULD BE AN IP-PP-SDP COALITION, OR AT LEAST ONE WHERE IP IS REPRESENTED, IRRESPECTIVE OF WHETHER HALLGRIMSSON OR THORODDSEN LEADS THE IP.
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